

Message Text

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ACTION COME-00

INFO OCT-01 EUR-12 IO-13 ISO-00 EB-08 STR-05 TRSE-00

CIAE-00 INR-07 NSAE-00 OMB-01 /047 W

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FM AMEMBASSY ANKARA

TO SECSTATE WASHDC 9386

INFO USMISSION GENEVA

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USMTN FOR MTN GENEVA

E.O. 11652: NA

TAGS: ETRD, GATT, MTN, TU

SUBJECT: REVIEW OF LOCAL CONTENT REQUIREMENTS

REF: STATE 258716

1. EQUIVALENT OF LOCAL CONTENT REQUIREMENT (LCR) IN TURKEY IS SO-CALLED FOREIGN EXCHANGE SAVINGS (FES) RATIO, WHICH IS APPLIED TO LOCAL ASSEMBLY INDUSTRY. THIS IS DEFINED AS RATIO BETWEEN:

A. EXPORT PRICE AT FACTORY OF ITEM AS OFFERED BY ORIGINAL MANUFACTURER ABROAD, MINUS--

B. SUM OF COST OF ALL PARTS AND COMPONENTS TO BE IMPORTED AND COSTS OF LICENSES, ROYALTIES, PATENT RIGHTS, TECHNICAL ASSISTANCE, AND SALARIES OF EXPATRIATE PERSONNEL REQUIRED (BOTH LOCALLY PAID AND TRANSFERRED ABROAD) INCURRED IN PRODUCING SAME ITEM IN TURKEY, AND--

C. EXPORT PRICE OF FACTORY OF ITEM CONCERNED (SAME FIGURE AS IN A). IN SHORT, RATIO IS A MINUS B LIMITED OFFICIAL USE

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DIVIDED BY A.

2. OBJECTIVE, OF COURSE, IS TO REDUCE VALUE OF B SO THAT FES RATIO APPROACHES UNITY, THE EQUIVALENT OF 100 PERCENT LOCAL CONTENT. MINISTRY OF INDUSTRY AND TECHNOLOGY HAS SET FOLLOWING FES RATIO TARGETS FOR EACH SECTOR OF ASSEMBLY INDUSTRY AS FOLLOWS:

1977 1978 1980

A. AGRICULTURAL TRACTORS 67.5 75 100

B. TRUCKS, AND TRAILERS

(1) LORRIES AND
PICK-UPS 65 75 100

(2) MINIBUSES 67.5 75 100

(3) CROSS-COUNTRY
VEHICLES 55 60 90

(4) PRIME MOVERS
AND TANDEM-AXLE TRUCKS 52.5 57.5 80

C. BUSES

(1) INTER-CITY 78 80 90

(2) MUNICIPAL 70 75 90

(3) SMALL 70 75 90

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D. AUTOMOBILES 80 90 100

E. HARVESTER-THRESHER
COMBINES 55 60 80

F. TELEVISION SETS 80 90 100

G. RADIOS 85 90 100

H. RECORD PLAYERS 85 90 100

I. TAPE RECORDERS 75 80 100

J. CALCULATING MACHINES 70 80 90

K. TELEPHONE SWITCHBOARD
EQUIPMENT

(1) AUTOMATIC, TO 200 LINES 75 85 100

(2) MORE THAN 200 LINES 75 85 100

83) SEMI-AUTOMATIC 85 90 100

(4) TELEPHONE SETS 85 95 100

3. IT IS APPARENT FROM THESE FIGURES THAT AIM OF TURKISH ASSEMBLY INDUSTRY POLICY IS VIRTUALLY TO ELIMINATE FOREIGN CONTENT BY 1980. ALTHOUGH DIFFICULT TO ASSESS ON BASIS OF RELATIVELY AGGREGATED DATE AVAILABLE TO US, THIS IS A TREND OF SOME SIGNIFICANCE IN TERMS OF US EXPORTS TO TURKEY. FOR EXAMPLE, IN 1976, US EXPORTS OF MOTOR VEHICLE AND TRACTOR PARTS TO TURKEY TOTALED ABOUT \$40 MILLION, ROUGHLY NINE PERCENT OF OUR TOTAL EXPORTS. THESE SALES UNDOUBTEDLY WILL BE AFFECTED BY EFFORT TO RAISE LOCAL CONTENT IN LIMITED OFFICIAL USE

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CASES OF TRACTORS, BUSES, AUTOMOBILES, ETC, TO 80-100 PERCENT BY 1980. CURRENTLY, THESE RATIOS STAND AT 50-70 PERCENT.

4. SIGNIFICANCE OF THESE SALES TO TURKEY IN TERMS OF GLOBAL US EXPORTS, OF COURSE, IS NEGLIBIBLE. IN ANY CASE IT SEEMS DOUBTFUL THAT ANY MODIFICATION TO THESE REQUIREMENTS COULD BE NEGOTIATED IN VIEW OF TURKEY'S CRITICAL NEED, NOT ONLY TO CONSERVE FOREIGN EXCHANGE, BUT TO CREATE EMPLOYMENT AS WELL. ALTHOUGH CURRENT FIVE-YEAR DEVELOPMENT PLAN PERIOD COMES TO AN END THIS YEAR AND SUBSEQUENT PLAN DETAILS NOT YET APPROVED, THESE FES RATIO TARGETS PRESUMABLY HAVE BEEN INTEGRATED WITH PLAN FOR INDUSTRIES AFFECTED AND PROBABLY ARE NOT SUBJECT TO CHNAGE AT THIS PINT.
SPIERS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMODITIES, EXPORTS, PRICES
Control Number: n/a
Copy: SINGLE
Sent Date: 04-Nov-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Source: CORE
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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Format: TEL
From: ANKARA
Handling Restrictions: n/a
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Legacy Key: link1977/newtext/t19771197/aaaadfdf.tel
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Original Classification: LIMITED OFFICIAL USE
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Review Release Date: n/a
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Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 720568
Secure: OPEN
Status: NATIVE
Subject: REVIEW OF LOCAL CONTENT REQUIREMENTS
TAGS: ETRD, TU, GATT, MTN
To: STATE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/2592b322-c288-dd11-92da-001cc4696bcc
Review Markings:
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